

ChinaAMC Investment Trust  
**ChinaAMC China Focus Fund**

Annual Report

For the year ended 31 December 2019



**CHINAAMC CHINA FOCUS FUND  
- A SUB-FUND OF CHINAAMC INVESTMENT TRUST**

**REPORTS AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

**CHINAAMC CHINA FOCUS FUND – A SUB-FUND OF CHINAAMC INVESTMENT TRUST  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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## **CHINAAMC CHINA FOCUS FUND – A SUB-FUND OF CHINAAMC INVESTMENT TRUST**

### **ADMINISTRATION AND MANAGEMENT**

#### **Manager**

China Asset Management (Hong Kong) Limited  
37/F, Bank of China Tower  
1 Garden Road  
Central, Hong Kong

#### **Directors of the Manager**

Mr. Yang Minghui  
Mr. Zhang Xiaoling  
Ms. Li Yimei  
Mr. Gan Tian  
Mr. Li Fung Ming (name changed on  
5 December 2019)

#### **Trustee**

Cititrust Limited  
50/F, Champion Tower  
Three Garden Road  
Central, Hong Kong

#### **Auditor**

PricewaterhouseCoopers  
22/F, Prince's Building  
Central, Hong Kong

#### **Custodian and Administrator**

Citibank N.A., Hong Kong Branch  
50/F, Champion Tower  
Three Garden Road  
Central, Hong Kong

#### **Transfer Agent**

Citicorp Financial Services Limited  
Citi Tower  
One Bay East  
83 Hoi Bun Road  
Kwun Tong, Kowloon  
Hong Kong

#### **Legal Counsel to the Manager**

Simmons & Simmons  
13/F, One Pacific Place  
88 Queensway  
Hong Kong

## CHINAAMC CHINA FOCUS FUND – A SUB-FUND OF CHINAAMC INVESTMENT TRUST

### MANAGER'S REPORT

#### *Market Review*

The United States ("US") equity market climbs to all-time high driven by the increasing global money supply, however, the US economic indicators showed weakness. In late September, the Federal Reserve ("Fed") decided to cut the Fed rate and began to re-expand its balance sheet, which made the global liquidity to bottom out. Besides, the European Central Bank continues to expand its balance sheet. The abundant liquidity not only led to the rise of the stock market but also boomed German housing prices. From the perspective of liquidity, we think the global equity market faces upside risks in the coming months. We expect China's equity market will remain stable next year. The blue-chip stocks enjoyed a good year in 2019, however, the near-term momentum slightly weakened due to the inflated valuation and profit-taking activities. The progress of the trade talks and its market impact are expected to be limited before the Chinese New Year, as both the US and China have achieved their short-term targets of booming stock market and stabilising Renminbi, respectively. Besides, the rising Consumer Price Index will limit the scope for further monetary policy easing. Though China still has plenty of room for fiscal easing, but we will not expect the Chinese government will go down that path until it becomes really necessary. There will be several important events affecting market expectations in the short term. For example, the progress of phase II negotiation, President Xi's speech on the 20th anniversary of Macau's return to China, and the Central Economic Working Conference in December. The outcome of those events may leave the near-term volatility of China's equity market at high level.

Looking into 2020, we expect China's offshore market to fluctuate in a wide range without a clear trend. From portfolio management point of view, we will keep focus on the sector allocation and stock selection. The trade war between the US and China will continue to influence the equity market.

China Asset Management (Hong Kong) Limited  
31 March 2020

**CHINAAMC CHINA FOCUS FUND – A SUB-FUND OF CHINAAMC INVESTMENT TRUST**

**TRUSTEE'S REPORT TO UNITHOLDERS**

We hereby confirm that, in our opinion, China Asset Management (Hong Kong) Limited in all material respects, managed ChinaAMC China Focus Fund – a sub-fund of ChinaAMC Investment Trust in accordance with the provisions of the Trust Deed dated 7 October 2010, as supplemented, amended and restated from time to time , for the year ended 31 December 2019.

For and on behalf of  
Cititrust Limited

Trustee  
31 March 2020

## **CHINAAMC CHINA FOCUS FUND – A SUB-FUND OF CHINAAMC INVESTMENT TRUST**

### **STATEMENT OF RESPONSIBILITIES OF THE MANAGER AND THE TRUSTEE**

#### *Manager's responsibilities*

China Asset Management (Hong Kong) Limited (the "Manager"), the manager of the ChinaAMC China Focus Fund (the "Sub-Fund"), a sub-fund of ChinaAMC Investment Trust (the "Trust"), is required by the Code on Unit Trusts and Mutual Funds established by the Securities & Futures Commission of Hong Kong (the "SFC Code") and the trust deed dated 7 October 2010, as supplemented, amended and restated from time to time (the "Trust Deed") to prepare financial statements for each annual accounting period which give a true and fair view of the financial position of the Sub-Fund at the end of that period and of the transactions for the year then ended. In preparing these financial statements the Manager is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are prudent and reasonable; and
- prepare the financial statements on a liquidation basis as the Manager intends to wind up the Sub-Fund by way of a voluntary liquidation.

The Manager is also required to manage the Sub-Fund in accordance with the Trust Deed and take reasonable steps for the prevention and detection of fraud and other irregularities.

The Trust is an umbrella unit trust governed by its Trust Deed. As at 31 December 2019, the Trust has established two sub-funds.

#### *Trustee's responsibilities*

The Trustee of the Sub-Fund is required to:

- ensure that the Sub-Fund is managed by the Manager in accordance with the Trust Deed and that the investment and borrowing powers are complied with;
- satisfy itself that sufficient accounting and other records have been maintained;
- safeguard the property of the Sub-Fund and rights attaching thereto; and
- report to the unitholders for each annual accounting year on the conduct of the Manager in the management of the Sub-Fund.

## ***Independent Auditor's Report***

To the Unitholders of ChinaAMC China Focus Fund (a sub-fund of ChinaAMC Investment Trust)

### **Report on the Audit of the Financial Statements**

#### **Opinion**

##### *What we have audited*

The financial statements of ChinaAMC China Focus Fund (the "Sub-Fund"), a sub-fund of ChinaAMC Investment Trust set out on pages 8 to 30, which comprise:

- the statement of financial position as at 31 December 2019;
- the statement of comprehensive income for the year then ended;
- the statement of changes in net assets attributable to unitholders for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

##### *Our opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Sub-Fund as at 31 December 2019, and of its financial transactions and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

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#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### *Independence*

We are independent of the Sub-Fund in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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#### **Other Information**

The Trustee and the Manager (the "Management") of the Sub-Fund are responsible for the other information. The other information comprises all of the information included in the annual report other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## ***Independent Auditor's Report (Continued)***

To the Unitholders of ChinaAMC China Focus Fund (a sub-fund of ChinaAMC Investment Trust)

### **Responsibilities of the Management for the Financial Statements**

The Management of the Sub-Fund is responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRSs, and for such internal control as the Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management of the Sub-Fund is responsible for assessing the Sub-Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management either intends to liquidate the Sub-Fund or to cease operations, or has no realistic alternative but to do so.

In addition, the Management of the Sub-Fund is required to ensure that the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the Trust Deed dated 7 October 2010, as amended ("Trust Deed") and Appendix E of the Code on Unit Trusts and Mutual Funds issued by the Hong Kong Securities and Futures Commission (the "SFC Code").

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### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. In addition, we are required to assess whether the financial statements of the Sub-Fund have been properly prepared, in all material respects, in accordance with the relevant disclosure provisions of the Trust Deed and the SFC Code.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Sub-Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

## ***Independent Auditor's Report (Continued)***

To the Unitholders of ChinaAMC China Focus Fund (a sub-fund of ChinaAMC Investment Trust)

### **Auditor's Responsibilities for the Audit of the Financial Statements (Continued)**

- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Sub-Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Sub-Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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### **Report on Matters under the Relevant Disclosure Provisions of the Trust Deed and the SFC Code**

In our opinion, the financial statements have been properly prepared, in all material respects, in accordance with the relevant disclosure provisions of the Trust Deed and the SFC Code.

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**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 31 March 2020

**CHINAAMC CHINA FOCUS FUND – A SUB-FUND OF CHINAAMC INVESTMENT TRUST**

**STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2019**

*(Expressed in United States dollars)*

	<i>Notes</i>	<i>2019</i>	<i>2018</i>
<b>Assets</b>			
Cash and cash equivalents	7(g)	\$ 656,299	\$ 5,521,329
Financial assets at fair value through profit or loss	3, 10(a)	25,674,426	26,495,178
Subscription receivable		1,113,504	1,102,119
		<hr/>	<hr/>
<b>Total assets</b>		<b>\$ 27,444,229</b>	<b>\$ 33,118,626</b>
		<hr/>	<hr/>
<b>Liabilities</b>			
Redemption payable		1,099,045	46,767
Accruals and other payables		318,841	299,926
		<hr/>	<hr/>
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<b>\$ 1,417,886</b>	<b>\$ 346,693</b>
		<hr/>	<hr/>
<b>Net assets attributable to unitholders</b>	8(a)	<b>\$ 26,026,343</b>	<b>\$ 32,771,933</b>
		<hr/>	<hr/>

The notes on pages 12 to 30 are an integral part of these financial statements.

**CHINAAMC CHINA FOCUS FUND – A SUB-FUND OF CHINAAMC INVESTMENT TRUST**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2019**

*(Expressed in United States dollars)*

	<i>Notes</i>	<i>2019</i>	<i>2018</i>
Interest income	7(g)	\$ 13,534	\$ 6,653
Dividend income		504,266	633,897
Net gain/(loss) on financial assets at fair value through profit or loss	5	4,306,404	(7,523,768)
Net foreign exchange loss		(5,226)	(20,499)
<b>Total income/(loss)</b>		<u>\$ 4,818,978</u>	<u>\$ (6,903,717)</u>
Transaction costs	7(h)	\$ (112,110)	\$ (116,446)
Management fee	7(a)	(538,228)	(662,452)
Performance fee	7(b)	-	(111,798)
Administration fee	7(c)	(66,136)	(67,823)
Audit fee		(19,500)	(19,500)
Trustee fee	7(d)	(10,021)	(10,059)
Custodian fee	7(e)	(20,228)	(22,557)
Financial statements preparation fee	7(f)	(15,000)	(11,000)
Registrar fee		-	(4,380)
Legal and professional fee		(42,125)	(8,388)
Bank charges	7(g)	(110)	(93)
Interest expense		(33)	(12)
Others		(9,619)	(7,028)
<b>Total operating expenses</b>		<u>\$ (833,110)</u>	<u>\$ (1,041,536)</u>
<b>Profit/(loss) before tax</b>		<u>\$ 3,985,868</u>	<u>\$ (7,945,253)</u>
Withholding tax expenses	4	(35,252)	(37,960)
<b>Increase/(decrease) in net assets attributable to unitholders from operations for the year</b>		<u><u>\$ 3,950,616</u></u>	<u><u>\$ (7,983,213)</u></u>

The notes on pages 12 to 30 are an integral part of these financial statements.

**CHINAAMC CHINA FOCUS FUND - A SUB-FUND OF CHINAAMC INVESTMENT TRUST**

**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

*(Expressed in United States dollars)*

	<i>2019</i>	<i>2018</i>
<b>Balance at the beginning of the year</b>	\$ 32,771,933	\$ 48,424,977
	-----	-----
<b>Transactions with unitholders</b>		
<b>Subscription</b>	\$ 23,213,892	\$ 25,676,260
<b>Redemption</b>	\$ (33,910,098)	\$ (33,346,091)
	-----	-----
<b>Total transactions with unitholders</b>	\$ (10,696,206)	\$ (7,669,831)
	-----	-----
<b>Increase/(decrease) in net assets attributable to unitholders from operations for the year</b>	\$ 3,950,616	\$ (7,983,213)
	-----	-----
<b>Balance at the end of the year</b>	\$ 26,026,343	\$ 32,771,933
	=====	=====

The notes on pages 12 to 30 are an integral part of these financial statements.

**CHINAAMC CHINA FOCUS FUND - A SUB-FUND OF CHINAAMC INVESTMENT TRUST**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

*(Expressed in United States dollars)*

	<i>Note</i>	<i>2019</i>	<i>2018</i>
<b>Operating activities</b>			
Increase/(decrease) in net assets attributable to unitholders from operations for the year		\$ 3,950,616	\$ (7,983,213)
Adjustments for:			
Interest income		(13,534)	(6,653)
Dividend income		(504,266)	(633,897)
Withholding tax expenses		35,252	37,960
		<hr/>	<hr/>
<b>Operating profit/(loss) before changes in working capital</b>		<b>\$ 3,468,068</b>	<b>\$ (8,585,803)</b>
Decrease in financial assets at fair value through profit or loss		820,752	22,353,537
Increase/(decrease) in accruals and other payables		18,915	(1,418,384)
Interest received		13,534	6,653
Dividend received, net of withholding tax paid		469,014	595,937
		<hr/>	<hr/>
<b>Net cash generated from operating activities</b>		<b>\$ 4,790,283</b>	<b>\$ 12,951,940</b>
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Financing activities</b>			
Proceeds from unit subscriptions		\$ 23,202,507	\$ 24,773,109
Payments on unit redemptions		(32,857,820)	(50,587,306)
		<hr/>	<hr/>
<b>Net cash used in financing activities</b>		<b>\$ (9,655,313)</b>	<b>\$ (25,814,197)</b>
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Net decrease in cash and cash equivalents</b>		<b>\$ (4,865,030)</b>	<b>\$ (12,862,257)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	7(g)	<hr/> <b>\$ 5,521,329</b> <hr/>	<hr/> <b>18,383,586</b> <hr/>
<b>Cash and cash equivalents at the end of the year</b>	7(g)	<hr/> <b>\$ 656,299</b> <hr/>	<hr/> <b>\$ 5,521,329</b> <hr/>

The notes on pages 12 to 30 are an integral part of these financial statements.

## CHINAAMC CHINA FOCUS FUND - A SUB-FUND OF CHINAAMC INVESTMENT TRUST

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

*(Expressed in United States dollars, unless otherwise indicated)*

#### 1 General Information

ChinaAMC China Focus Fund (the "Sub-Fund") is a sub-fund of ChinaAMC Investment Trust (the "Trust"), which is an open-ended unit trust initially established as an exempted trust under the laws of the Cayman Islands pursuant to a trust deed dated 7 October 2010, as amended or supplemented from time to time and restated on 28 July 2017 (the "Trust Deed"), between Citigroup First Investment Management Limited (the "Former Manager") and Cititrust (Cayman) Limited (the "Former Trustee"). The Former Manager appointed China Asset Management (Hong Kong) Limited as the sub-manager for managing the investment portfolio of the Sub-Fund.

#### Redomicile of the Trust and the Sub-Fund

The Trust was initially established as an exempted trust under the laws of the Cayman Islands. With effect from 28 July 2017, the Trust shall take effect in accordance with the laws of Hong Kong and the laws of Hong Kong shall be the governing law of the Trust.

Pursuant with the supplemental deeds dated 28 July 2017, the Former Manager retired as manager of the Sub-Fund and China Asset Management (Hong Kong) Limited (the "Manager") was appointed as manager of the Sub-Fund with effect from 28 July 2017. On the same day, the Former Trustee retired as trustee of the Sub-Fund and Cititrust Limited (the "Trustee") was appointed as trustee of the Sub-Fund.

The Sub-Fund is authorised by the Hong Kong Securities and Futures Commission (the "SFC") under Section 104 of the Hong Kong Securities and Futures Ordinance, and governed by the Hong Kong Code on Unit Trusts and Mutual Funds (the "Code") issued by the SFC. The Sub-Fund was authorised by the SFC on 1 November 2010 and the first dealing day was 10 December 2010.

The investment objective of the Sub-Fund is to provide unitholders with long term capital growth through exposure to the equities and equity-related instruments of Mainland China-related companies.

It is expected that approximately 70% to 100% of the Sub-Fund's portfolio will be invested directly or indirectly in equity securities issued by companies which are listed, or being offered in an initial public offer, on an official stock markets in Hong Kong, Mainland China (A Share and B Share markets), the United States, Singapore and other countries or regions. The Sub-Fund will gain exposure access to the A Share markets by investing in access products and via the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect (the "Stock Connect").

The custodian and administration functions are delegated to Citibank N.A., Hong Kong Branch (the "Custodian" and the "Administrator"). Citibank N.A., Hong Kong Branch is a related party of the Former Manager, Former Trustee and Trustee.

## CHINAAMC CHINA FOCUS FUND - A SUB-FUND OF CHINAAMC INVESTMENT TRUST

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

*(Expressed in United States dollars, unless otherwise indicated)*

#### **2 Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

##### **(a) Basis of preparation**

The financial statements of the Sub-Fund have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets (including derivative financial instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Manager's and the Trustee's (collectively the "Management") exercise of judgment in the process of applying the Sub-Fund's accounting policies.

All references to "net assets" or "net asset value" throughout these financial statements refer to net assets attributable to unitholders unless otherwise stated.

##### Standards and amendments to existing standards effective 1 January 2019

There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 January 2019 that have a material effect on the financial statements of the Sub-Fund.

##### New standards, amendments and interpretations effective after 1 January 2019 and have not been early adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2019, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Sub-Fund.

## CHINAAMC CHINA FOCUS FUND - A SUB-FUND OF CHINAAMC INVESTMENT TRUST

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

*(Expressed in United States dollars, unless otherwise indicated)*

#### 2 Summary of significant accounting policies (Continued)

##### (b) Foreign currency translation

###### (i) Functional and presentation currency

The subscriptions and redemptions of the units of the Sub-Fund are denominated in United States dollars ("USD"). The performance of the Sub-Fund is measured and reported to unitholders in USD. Management considers the USD as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in USD, which is the Sub-Fund's functional and presentation currency.

###### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the financial position date.

Foreign exchange gains and losses arising from translation are included in the statement of comprehensive income.

Foreign exchange gains and losses relating to cash and cash equivalents is presented in the statement of comprehensive income within "net foreign exchange loss".

Foreign exchange gains and losses relating to the financial assets carried at fair value through profit or loss are presented in the statement of comprehensive income within "net (loss)/gain on financial assets at fair value through profit or loss".

##### (c) Financial assets at fair value through profit or loss

###### (i) Classification

The Sub-Fund classifies its investments based on both the Sub-Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Sub-Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The Sub-Fund has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income. The contractual cash flows of the Sub-Fund's debt securities are solely principal and interest, however, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Sub-Fund's business model's objective. Consequently, all investments are measured at fair value through profit or loss.

## CHINAAMC CHINA FOCUS FUND - A SUB-FUND OF CHINAAMC INVESTMENT TRUST

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

*(Expressed in United States dollars, unless otherwise indicated)*

#### 2 Summary of significant accounting policies (Continued)

##### (c) Financial assets at fair value through profit or loss (Continued)

###### (ii) Recognition, derecognition and measurement

Regular purchases and sales of investments are recognised on the trade date – the date on which the Sub-Fund commits to purchase or sell the investment. Financial assets at fair value through profit or loss are initially recognised at fair value.

Transaction costs are expensed as incurred in the statement of comprehensive income.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Sub-Fund has transferred substantially all risks and rewards of ownership.

Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of financial assets at fair value through profit or loss are presented in the statement of comprehensive income within net (loss)/gain on financial assets at fair value through profit or loss in the year in which they arise.

Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income within dividend income when the Sub-Fund's right to receive payments is established. Dividend expense on short sales of equity securities is included within other net changes in fair value on financial assets and financial liabilities at fair value through profit or loss.

###### (iii) Fair value estimation

The fair value of financial instruments traded in active markets (such as publicly traded derivatives and trading securities) is based on quoted market prices at the date of the statement of financial position. The quoted market price used for financial assets and financial liabilities held by the Sub-Fund is the last traded market price where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, Management will determine the point within the bid-ask spread that is most representative of fair value.

## CHINAAMC CHINA FOCUS FUND - A SUB-FUND OF CHINAAMC INVESTMENT TRUST

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

*(Expressed in United States dollars, unless otherwise indicated)*

#### **2 Summary of significant accounting policies (Continued)**

##### **(c) Financial assets at fair value through profit or loss (Continued)**

###### **(iii) Fair value estimation (Continued)**

The fair value of financial assets that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Sub-Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques used include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Sub-Fund recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

##### **(d) Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

##### **(e) Cash and cash equivalents**

Cash and cash equivalents comprise deposits with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

##### **(f) Interest income and interest from financial assets at fair value through profit or loss**

Interest is recognised on a time-proportionate basis using the effective interest method. Interest income includes interest from cash and cash equivalents.

##### **(g) Dividend income**

Dividend income is recognised when the right to receive payment is established.

##### **(h) Accrued expenses**

Accrued expenses are recognised initially at fair value and subsequently stated at amortised cost using the effective interest method.

##### **(i) Increase/decrease in net assets attributable to unitholders from operations**

Income not distributed is included in net assets attributable to unitholders.

## CHINAAMC CHINA FOCUS FUND - A SUB-FUND OF CHINAAMC INVESTMENT TRUST

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

*(Expressed in United States dollars, unless otherwise indicated)*

#### **2 Summary of significant accounting policies (Continued)**

##### **(j) Taxation**

Taxation comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods. The Sub-Fund currently incurs withholding taxes imposed by certain countries on investment income and capital gains. Such income or gains are recorded gross of withholding taxes in the statement of comprehensive income. Withholding taxes are shown as a separate item in the statement of comprehensive income.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that is probable that future taxable profits will be available against which the asset can be utilised, are recognised.

##### **(k) Net gain or loss on financial assets at fair value through profit or loss**

Net gain or loss on financial assets at fair value through profit or loss includes all realised and unrealised fair value changes and foreign exchange differences, but exclude interest and dividend income.

##### **(l) Units in issue**

The Sub-Fund has multiple classes of redeemable units in issue. All the classes are the most subordinate classes of financial instruments in the Sub-Fund and rank pari passu in all material respects and have the same terms and conditions other than that different classes of unit are denominated in different currencies. The redeemable units provide unitholders with the right to require redemption for cash at a value proportionate to the unitholders' share in the net assets of the applicable class of units of the Sub-Fund at the redemption date, and also in the event of the Sub-Fund's liquidation.

The redeemable units of the Sub-Fund are classified as financial liabilities and are measured at the present value of the redemption amounts.

## CHINAAMC CHINA FOCUS FUND - A SUB-FUND OF CHINAAMC INVESTMENT TRUST

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Expressed in United States dollars, unless otherwise indicated)

#### 3 Financial assets at fair value through profit or loss

	2019	2018
Listed equity securities	\$ 25,674,426	\$ 26,495,178

#### 4 Taxation

Taxation in the statement of comprehensive income represents:

	2019	2018
<b>Current tax - overseas</b>		
Withholding tax on dividend income	\$ 35,252	\$ 37,960

##### (i) Hong Kong

No provision for Hong Kong Profits Tax has been made in the financial statements as the Sub-Fund is exempted from taxation under section 26A(1A) of the Hong Kong Inland Revenue Ordinance.

##### (ii) PRC

The Manager and the Trustee intend to manage and operate the Sub-Fund in such a manner that the Sub-Fund should not be treated as a tax resident enterprise of the PRC or a non-tax resident enterprise with an establishment or place of business in the PRC for Corporate Income Tax ("CIT") purposes. As such, it is expected that the Sub-Fund should not be subject to CIT on an assessment basis and would only be subject to CIT on a withholding basis to the extent the Sub-Fund directly derives PRC sourced income.

Under the current general provision of the PRC Corporate Income Tax Law and published tax circulars, foreign corporate investors would be subject to PRC withholding tax at the rate of 10% in respect of certain types of their PRC sourced income earned, such as capital gains, dividend income and interest income.

On 14 November 2014, The Ministry of Finance (the "MoF"), the State Administration of Taxation (the "SAT") and the China Securities Regulatory Commission (the "CSRC") promulgated the "Notice on the temporary exemption of Corporate Income Tax on capital gains derived from the transfer of PRC equity investment assets such as PRC domestic stocks by QFIs and Renminbi Qualified Foreign Institutional Investors ("RQFIs")" (the "Notice No. 79"). According to the Notice No. 79, (i) CIT is imposed on capital gains derived by QFIs and RQFIs from the transfer of PRC equity investment assets including China A Shares prior to 17 November 2014 in accordance with laws; and (ii) QFIs and RQFIs without an establishment or place of business in the PRC is temporarily exempt from CIT on capital gains derived from the transfer of PRC equity investment assets including China A Shares effective from 17 November 2014.

## CHINAAMC CHINA FOCUS FUND - A SUB-FUND OF CHINAAMC INVESTMENT TRUST

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

*(Expressed in United States dollars, unless otherwise indicated)*

#### 4 Taxation (Continued)

##### (ii) PRC (Continued)

The "Notice on the tax policies related to the pilot program of the Shanghai-Hong Kong Stock Connect" (the "Notice No. 81") promulgated by the MoF, the SAT and the CSRC states that CIT is temporarily exempted on capital gains derived by Hong Kong and overseas investors including the Sub-Fund on the trading of China A Shares through the Stock Connect.

It should be noted that both Notice No. 79 and Notice No. 81 state that the exemptions are temporary only and when the PRC authorities announce the expiration of such exemptions, the AP Issuers and the Sub-Fund may need to recommence provisioning for future potential tax liabilities.

No PRC withholding tax provision had been made on any China A Shares or China A Share access products since 17 November 2014.

#### 5 Net gain/(loss) on financial assets at fair value through profit or loss

	2019	2018
Net realised gain	\$ 1,223,172	\$ 4,105,734
Net change in unrealised gain/loss in financial assets at fair value through profit or loss	3,083,232	(11,629,502)
	<u>\$ 4,306,404</u>	<u>\$ (7,523,768)</u>

#### 6 Soft commission

The Manager and its connected persons have not received any soft dollar commissions or entered into any soft dollar arrangements in respect of the management of the Sub-Fund for the years ended 31 December 2019 and 31 December 2018. The Manager and its connected persons have not retained any cash rebates from any broker or dealer.

## CHINAAMC CHINA FOCUS FUND - A SUB-FUND OF CHINAAMC INVESTMENT TRUST

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

*(Expressed in United States dollars, unless otherwise indicated)*

#### **7 Related party transactions**

The following is a summary of significant related party transactions or transactions entered into during the year between the Sub-Fund and the Trustee and its related parties, the Manager and its connected persons ("Connected Persons"). Connected Persons are those as defined in the Code issued by the SFC. All transactions during the year between the Sub-Fund and the Manager and its Connected Persons were entered into in the ordinary course of business and under normal commercial terms. To the best of the knowledge of the Trustee and the Manager, the Sub-Fund did not have any other transactions with Connected Persons except for those disclosed below.

##### **(a) Management fee**

The fee payable to the Manager is calculated at 1.8% (2018: 1.8%) per annum of the net asset value of the Sub-Fund. It is accrued daily and payable monthly in arrears. The management fee charged for the year and the amount payable by the Sub-Fund as at 31 December 2019 amounted to \$538,228 (2018: \$662,452) and \$114,279 (2018: \$127,538) respectively.

##### **(b) Performance fee**

The Manager is entitled to a performance fee. The performance fee is calculated accrued on each valuation day (i.e. daily basis) and will be payable at the last valuation day of the financial year. If any units are realised on the valuation day, the performance fee accrued so far in respect of such units will crystallise and be paid to the Manager at the end of the performance period. The performance fee in respect of each unit will be equal to 10% (2018: 10%) of the appreciation in the net asset value per unit during the year above the highest net asset value per share at the last day in any previous financial year end in which the performance fee was paid for the relevant class.

No performance fee was charged for the year ended 31 December 2019 (2018: \$111,798) and the amount payable by the Sub-Fund as at 31 December 2019 amounted to \$111,798 (2018: \$111,798) respectively.

##### **(c) Administration fee**

The fee payable to the Administrator is calculated at 0.075% (2018: 0.075%) per annum of the net asset value of the Sub-Fund, subject to a minimum fixed fee of \$5,500 per month. It is accrued daily and payable monthly in arrears. The administration fee charged for the year and the amount payable by the Sub-Fund as at 31 December 2019 amounted to \$66,136 (2018: \$67,823) and \$37,846 (2018: \$22,060) respectively.

##### **(d) Trustee fee**

The fee payable to the Trustee is \$10,000 (2018: \$10,000) per annum. It is accrued daily and payable in arrears on a monthly basis. The trustee fee charged for the year and the amount payable by the Sub-Fund as at 31 December 2019 amounted to \$10,021 (2018: \$10,059) and \$6,767 (2018: \$3,397) respectively.

## CHINAAMC CHINA FOCUS FUND - A SUB-FUND OF CHINAAMC INVESTMENT TRUST

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

*(Expressed in United States dollars, unless otherwise indicated)*

#### 7 Related party transactions (Continued)

##### (e) Custodian fee

The fee payable to the Custodian is calculated at 0.03% (2018: 0.03%) per annum of the net asset value of the Sub-Fund. It is accrued daily and payable in arrears on a monthly basis. The custodian fee charged for the year and the amount payable by the Sub-Fund as at 31 December 2019 amounted to \$20,228 (2018: \$22,557) and \$4,836 (2018: \$2,852) respectively.

##### (f) Financial statements preparation fee

The Administrator is entitled to a financial statements preparation fee of \$7,000 (2018: \$7,000) per annum. The financial statements preparation fee charged for the year and the amount payable by the Sub-Fund as at 31 December 2019 amounted to \$15,000 (2018: \$11,000) and \$23,916 (2018: \$12,916) respectively.

##### (g) Cash and cash equivalents

All bank balances of the Sub-Fund are held in interest bearing accounts with Citibank N.A., Hong Kong Branch. As at 31 December 2019, the balances amounted to \$656,299 (2018: \$5,521,329). During the year, the interest earned from these bank balances and the bank charges amounted to \$13,534 (2018: \$6,653) and \$110 (2018: \$93) respectively.

##### (h) Transaction costs

In the purchase and sales of investments, the Sub-Fund utilises the brokerage services of fellow subsidiaries of the Trustee. Details of the transactions effected through these entities are as follows:

	2019	2018
Commission paid for the year	\$ 1,382	\$ 65,134
Average rate of commission	0.09%	0.28%
Total aggregate value of transactions for the year	\$ 127,798,062	\$ 66,592,576
Percentage of such transactions in value to total transactions for the year	1.13%	34.43%

##### (i) Unit holdings

One unitholder of the Sub-Fund is a subsidiary of the Manager. As at 31 December 2019, this subsidiary held a total of 9% (2018: 24%) of the interest in the Sub-Fund.

**CHINAAMC CHINA FOCUS FUND - A SUB-FUND OF CHINAAMC INVESTMENT TRUST**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

*(Expressed in United States dollars, unless otherwise indicated)*

**8 Net assets attributable to unitholders**

**(a) Units issued and redeemed**

*Number of units:*

	<i>2019</i>					
	<i>AUD units</i>	<i>EUR units</i>	<i>GBP units</i>	<i>HKD units</i>	<i>SGD units</i>	<i>USD units</i>
At 1 January 2019	9,944	4,094	-	6,939,918	120,522	1,914,634
Subscription of units during the year	-	-	-	1,754,363	-	1,675,362
Redemption of units during the year	-	-	-	(5,843,723)	(42,549)	(2,028,591)
At 31 December 2019	<u>9,944</u>	<u>4,094</u>	<u>-</u>	<u>2,850,558</u>	<u>77,973</u>	<u>1,561,405</u>
	<i>2018</i>					
	<i>AUD units</i>	<i>EUR units</i>	<i>GBP units</i>	<i>HKD units</i>	<i>SGD units</i>	<i>USD units</i>
At 1 January 2018	11,209	6,054	4,888	1,980,134	123,580	2,869,100
Subscription of units during the year	-	-	-	5,335,832	-	1,225,079
Redemption of units during the year	(1,265)	(1,960)	(4,888)	(376,048)	(3,058)	(2,179,545)
At 31 December 2018	<u>9,944</u>	<u>4,094</u>	<u>-</u>	<u>6,939,918</u>	<u>120,522</u>	<u>1,914,634</u>

## CHINAAMC CHINA FOCUS FUND - A SUB-FUND OF CHINAAMC INVESTMENT TRUST

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Expressed in United States dollars, unless otherwise indicated)

#### 8 Net assets attributable to unitholders (Continued)

##### (a) Units issued and redeemed (Continued)

	2019	2018
<b>Total number of units in issue</b>		
AUD units	9,944	9,944
EUR units	4,094	4,094
HKD units	2,850,558	6,939,918
SGD units	77,973	120,522
USD units	1,561,405	1,914,634
	<hr/> <hr/>	<hr/> <hr/>
<b>Net asset value per unit in local currency</b>		
AUD units	AUD 16.708	AUD 14.418
EUR units	EUR 15.323	EUR 13.003
HKD units	HKD 13.121	HKD 11.394
SGD units	SGD 13.425	SGD 11.761
USD units	USD 12.976	USD 11.214
	<hr/> <hr/>	<hr/> <hr/>

The Trust and the Sub-Fund do not have any externally imposed capital requirements. As at 31 December 2019, the Sub-Fund had net assets attributable to unitholders of \$26,026,343 (2018: \$32,771,933). The Sub-Fund strives to invest funds received from the issuance of redeemable units in investments that meet the Sub-Fund's investment objectives while maintaining sufficient liquidity to meet the funding needs when unitholders redeem their units.

The Manager may from time to time permit unitholders to convert some or all of their units of any Class into units of any other Class whether in respect of the Sub-Fund or any other sub-funds of the Trust which have been authorised by the SFC.

##### (b) Distributions

The Sub-Fund does not intend to pay dividends or other distributions for the current year.

#### 9 Financial instruments and associated risks

The Sub-Fund's investing activities expose it to various types of risk that are associated with the financial instruments and markets in which it invests according to the investment strategy. The risks that the Sub-Fund is exposed to are market risk, credit risk and liquidity risk. Market risk includes price risk, interest rate risk and currency risk.

The Sub-Fund maintains an investment portfolio in a variety of listed equity securities and China A Share access products as dictated by its investment management strategy.

The nature and extent of the financial instruments outstanding at the end of the reporting period and the risk management policies employed by the Sub-Fund are discussed below.

## CHINAAMC CHINA FOCUS FUND - A SUB-FUND OF CHINAAMC INVESTMENT TRUST

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

*(Expressed in United States dollars, unless otherwise indicated)*

#### 9 Financial instruments and associated risks (Continued)

##### (a) Market risk

All investments held by the Sub-Fund are measured at fair value through profit or loss, and all changes in market conditions directly affect profit or loss. Market risk is the risk that the value of the investments will fluctuate as a result of changes in prices, interest rates or exchange rates.

##### (i) Price risk

Price risk is the risk that value of the instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

The Sub-Fund is exposed to price risk arising from changes in market price of listed equity securities.

The following table shows the net market exposure of the Sub-Fund by industry:

By industry	2019 % investment portfolio	2018 % investment Portfolio
Communication	8.81	10.97
Consumer	34.27	26.14
Energy	2.21	5.21
Financials	18.31	18.04
Health care	7.90	7.05
Industrials	9.17	8.82
Information technology	7.21	1.19
Materials	3.30	4.10
Real estate	8.30	14.16
Others	0.52	4.32
	<u>100.00</u>	<u>100.00</u>

As at 31 December 2019 and 2018, the Sub-Fund had no investment which was larger than 10% of the Sub-Fund's net asset value.

The Sub-Fund's market price is managed through diversification of the investment portfolio as well as investing in securities with strong fundamentals. The table below summarises the overall market exposures of the Sub-Fund and the impact of increases/decreases from the Sub-Fund's financial assets at fair value through profit or loss on the Sub-Fund's net asset value as at 31 December 2019 and 31 December 2018. The analysis is based on the assumption that the underlying investments in equity securities increased/decreased by a reasonable possible shift, with all other variables held constant.

**CHINAAMC CHINA FOCUS FUND - A SUB-FUND OF CHINAAMC INVESTMENT TRUST**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

*(Expressed in United States dollars, unless otherwise indicated)*

**9 Financial instruments and associated risks (Continued)**

**(a) Market risk (Continued)**

**(i) Price risk (Continued)**

However, this does not represent a prediction of the future movement in the corresponding key markets.

	Carrying value of financial assets at fair value through profit or loss	% of net assets %	Shift in underlying securities increase/ (decrease) %	Estimated possible change in net asset value increase/ (decrease)
31 December 2019				
Financial assets at fair value through profit or loss	25,674,426	99	5 (5)	1,283,721 (1,283,721)
31 December 2018				
Financial assets at fair value through profit or loss	26,495,178	78	5 (5)	1,324,759 (1,324,759)

The Directors have used their view of what would be a "reasonable shift" in each key market to estimate the impact in the market sensitivity analysis above.

**(ii) Interest rate risk**

Interest rate risk arises from the possibility that changes in interest rates will affect the future cash flows or the fair value of financial instruments and therefore result in a potential gain or loss to the Sub-Fund. Except for bank deposits, all the financial assets and liabilities of the Sub-Fund is non-interest bearing. As a result, the Sub-Fund has limited exposure to interest rate risk.

## CHINAAMC CHINA FOCUS FUND - A SUB-FUND OF CHINAAMC INVESTMENT TRUST

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Expressed in United States dollars, unless otherwise indicated)

#### 9 Financial instruments and associated risks (Continued)

##### (a) Market risk (Continued)

##### (iii) Currency risk

The Sub-Fund may invest in financial instruments and enter into transactions that are denominated in currencies other than its functional currency. Consequently, the Sub-Fund is exposed to risks that the exchange rate of its functional currency relative to other foreign currencies may change in a manner that has an adverse effect on the fair value of that portion of the Sub-Fund's financial assets or liabilities denominated in currencies other than USD. The Manager monitors the Sub-Fund's foreign currency exposures on an ongoing basis. The table below summarises the Sub-Funds' net exposure in monetary and non-monetary assets with all other variables held constant.

Currencies	2019		2018	
	Monetary	Non-monetary	Monetary	Non-monetary
Australian Dollars	\$ 152	\$ -	\$ 151	\$ -
British Pounds	582	-	560	-
Chinese Yuan	638,531	5,261,387	30,201	5,738,280
Euros	2	-	2	-
Singapore Dollars	7,212	-	2	-
Total	\$ 646,479	\$ 5,261,387	\$ 30,916	\$ 5,738,280

The table below summarises the impact of increase or decrease of key exchange rates on the exposures tabled above, to which the Sub-Fund is exposed. The analysis is based on the assumption that the exchange rates had increased/decreased by 5% with all other variables held constant.

Currencies	2019		2018	
	Impact on net assets Monetary	Non-monetary	Impact on net assets Monetary	Non-monetary
Australian Dollars	\$ 8	\$ -	\$ 8	\$ -
British Pounds	29	-	28	-
Chinese Yuan	31,927	263,069	1,510	286,914
Euros	-	-	-	-
Singapore Dollars	361	-	-	-
Total	\$ 32,325	\$ 263,069	\$ 1,546	\$ 286,914

A 5% strengthening of the USD against the above currencies would have resulted in an equal but opposite effect on the financial statements, on the basis that all other variables remain constant.

The net exposure in Hong Kong dollars ("HKD") as at 31 December 2019 was \$15,993,418 (2018: \$5,471,781). As the HKD is pegged to the USD, the Sub-Fund does not expect any significant movement in USD/HKD exchange rate.

## CHINAAMC CHINA FOCUS FUND - A SUB-FUND OF CHINAAMC INVESTMENT TRUST

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Expressed in United States dollars, unless otherwise indicated)

#### 9 Financial instruments and associated risks (Continued)

##### (b) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Sub-Fund. The Sub-Fund's exposure to credit risk is monitored by the Manager on an ongoing basis. The carrying amounts of financial assets best represent the maximum credit risk exposure at the reporting date. This relates to financial assets carried at amortised cost, as they have short term to maturity.

The Sub-Fund applies the IFRS 9 general model for the subscription receivable to measure the expected credit losses. The identified impairment loss was immaterial as the history of defaults from subscription receivables are minimal.

All the Sub-Fund's cash and cash equivalents are held in major financial institutions located in Hong Kong, which the Sub-Fund believes are of high credit quality. The Directors considers that the Sub-Fund does not have a significant concentration of credit risk.

Cash and cash equivalents and subscription receivable are subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

The Manager mitigates the counterparty risk associated with the Sub-Fund by putting in place appropriate counterparty risk management procedures. The Manager monitors the credit rating of the brokers on an ongoing basis.

The table below sets out the net exposure of the Sub-Fund to counterparties as at 31 December 2019 and 31 December 2018 together with their credit ratings provided by Standard & Poor's rating services:

	2019		2018	
	<i>Credit rating</i>	<i>Net exposure to counterparties</i>	<i>Credit rating</i>	<i>Net exposure to counterparties</i>
<b>Cash and cash equivalents</b>				
Citibank N.A., Hong Kong Branch	A-1	656,299	A-1	5,521,329
<b>Financial assets at fair value through profit or loss</b>				
Citibank N.A., Hong Kong Branch	A-1	25,674,426	A-1	26,495,178

## CHINAAMC CHINA FOCUS FUND - A SUB-FUND OF CHINAAMC INVESTMENT TRUST

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Expressed in United States dollars, unless otherwise indicated)

#### 9 Financial instruments and associated risks (Continued)

##### (c) Liquidity risk

Liquidity risk arises from the risk that the Manager may not be able to convert investments into cash to meet liquidity needs in a timely manner. As unitholders may realise units on any Dealing Day, the Sub-Fund is exposed to liquidity risk of meeting unitholder redemptions.

As at 31 December 2019 and 31 December 2018, the Sub-Fund's investments in listed equity investments are considered to be readily realisable because they are traded on major stock exchanges.

##### *Analysis of liabilities by remaining maturity*

The following table details the remaining contractual maturities of the Sub-Fund's liabilities as at 31 December 2019 and 31 December 2018:

	2019					Total
	Repayable on demand	Within 1 month	Over 1 month to 3 months	Over 3 months to 1 year	No specified maturity	
<b>Non-trading liabilities</b>						
Redemption payable	-	1,099,045	-	-	-	1,099,045
Accruals and other payables	-	307,043	-	11,798	-	318,841
Net assets attributable to unitholders	26,026,343	-	-	-	-	26,026,343
	<u>\$ 26,026,343</u>	<u>\$ 1,406,088</u>	<u>\$ -</u>	<u>\$ 11,798</u>	<u>\$ -</u>	<u>\$ 27,444,229</u>
	2018					Total
	Repayable on demand	Within 1 month	Over 1 month to 3 months	Over 3 months to 1 year	No specified maturity	
<b>Non-trading liabilities</b>						
Redemption payable	-	46,767	-	-	-	46,767
Accruals and other payables	-	299,926	-	-	-	299,926
Net assets attributable to unitholders	32,771,933	-	-	-	-	32,771,933
	<u>\$ 32,771,933</u>	<u>\$ 346,693</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,118,626</u>

**CHINAAMC CHINA FOCUS FUND - A SUB-FUND OF CHINAAMC INVESTMENT TRUST**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

*(Expressed in United States dollars, unless otherwise indicated)*

**10 Fair value information**

**(a) Financial instruments carried at fair value**

The following table presents the fair value of the Sub-Fund's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

	<i>2019</i>			<i>Total</i>
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	
Listed equity securities	\$ 25,674,426	\$ -	\$ -	\$ 25,674,426
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
	<i>2018</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Listed equity securities	\$ 26,495,178	\$ -	\$ -	\$ 26,495,178
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

During the year ended 31 December 2019 and 31 December 2018, there were no transfers among instruments in Level 1, Level 2 and Level 3.

## CHINAAMC CHINA FOCUS FUND - A SUB-FUND OF CHINAAMC INVESTMENT TRUST

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

*(Expressed in United States dollars, unless otherwise indicated)*

#### **10 Fair value information (Continued)**

##### **(a) Financial instruments carried at fair value (Continued)**

The fair value of suspended financial instruments is valued based on valuation techniques as set out in Note 2(c)(iii). The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

As at 31 December 2019 and 31 December 2018, there were no unrealised gain/(loss) recorded in the statement of financial position in respect of the Level 3 investments.

##### **(b) Fair values of financial instruments carried at other than fair value**

The financial instruments not measured at fair value through profit or loss is short-term financial assets and financial liabilities whose carrying amounts approximate fair value.

As at 31 December 2019 and 2018, cash and cash equivalents, subscription receivable, redemption payable, accruals and other payables and net assets attributable to unitholders were classified as Level 2.

#### **11 Subsequent event**

After the outbreak of Coronavirus Disease 2019 (“COVID-19 outbreak”) in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country/region. The Management will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Sub-Fund. As at the date on which this set of financial statements were authorised for issue, the Management was not aware of any material adverse effects on the financial statements as a result of the COVID-19 outbreak.

**CHINAAMC CHINA FOCUS FUND - A SUB-FUND OF CHINAAMC INVESTMENT TRUST**

**INVESTMENT PORTFOLIO (UNAUDITED)**

**AS AT 31 DECEMBER 2019**

*(Expressed in United States dollars)*

<b>Country</b>	<i>Holdings</i>	<i>Market value</i>	<i>% of total net assets</i>
<b>China listed equities</b>			
ANHUI CONCH CEMENT CO LTD-A	20,100	158,142	0.61
BEIJING SHIJI INFORMATION -A	40,193	225,053	0.86
CHINA INTERNATIONAL TRAVEL-A	12,300	157,080	0.60
CHINA MERCHANTS BANK-A	44,400	239,557	0.92
FOXCONN INDUSTRIAL INTERNE-A	70,000	183,614	0.71
GLODON CO LTD-A	44,503	217,111	0.83
GREE ELECTRIC APPLIANCES I-A 'A'CNY1	52,600	495,253	1.90
INDUSTRIAL BANK CO LTD	47,100	133,892	0.51
INNER MONGOLIA YILI INDUS-A	56,200	249,647	0.96
KWEICHOW MOUTAI CO LTD-A	4,300	730,336	2.81
PING AN INSURANCE GROUP CO-A	18,600	228,216	0.88
SANY HEAVY INDUSTRY CO LTD-A	211,249	517,117	1.99
SHANGHAI INTERNATIONAL AIR-A	22,700	256,653	0.99
SHENZHEN MINDRAY BIO-MEDIC-A	8,400	219,372	0.84
WEICHAI POWER CO LTD-A	127,504	290,699	1.13
WULIANGYE YIBIN CO LTD-A 'A'CNY1	38,492	735,063	2.82
ZTE CORP-A	44,200	224,581	0.86
		-----	-----
		5,261,386	20.22
		-----	-----

**CHINAAMC CHINA FOCUS FUND - A SUB-FUND OF CHINAAMC INVESTMENT TRUST**

**INVESTMENT PORTFOLIO (UNAUDITED) (CONTINUED)**

**AS AT 31 DECEMBER 2019**

*(Expressed in United States dollars)*

<b>Country</b>	<i>Holdings</i>	<i>Market value</i>	<i>% of total net assets</i>
<b>Hong Kong listed equities</b>			
AGRICULTURAL BK CH 'H'CNY1	749,000	329,714	1.27
CHINA CONSTRUCTION BANK-H	971,000	838,680	3.22
CHINA EAST EDUCATION HOLDING 667	53,000	111,009	0.43
CHINA LIFE INSURANCE CO-H 'H'CNY1	167,000	464,020	1.78
CHINA MERCHANTS BANK - H CHINA MERCHANTS	89,000	457,462	1.76
CHINA NATIONAL BUILDING MA-H 'H'CNY1	480,000	535,948	2.06
CHINA RAILWAY GROUP LTD-H	323,000	199,393	0.77
CHINA RAILWAYS CONSTRUCTIO-H 'H' CNY1	238,500	261,096	1.00
CHINA RESOURCES BEER (HOLDINGS) CO LTD	70,000	387,202	1.49
CHINA RESOURCES LAND LTD SHS	82,000	408,327	1.57
CHINA SCE GROUP HOLDINGS LTD 1966	249,000	145,083	0.56
CHINA YUHUA EDUCATION CORP L	628,000	424,749	1.63
CSPC PHARMACEUTICAL GROUP LTD	148,000	352,914	1.36
DONGFENG MOTOR GRP CO LTD-H	394,000	370,648	1.42
FRONTAGE HOLDINGS CORP	238,000	135,009	0.52
GALAXY ENTERTAINMENT GRP LTD HKD0.10	30,000	221,001	0.85
GENSCRIPT BIOTECH CORP 1548	52,000	118,124	0.45
GUANGZHOU R&F PROPERTIES - H	84,000	155,024	0.60
HUATAI SECURITIES CO LTD-H 6886	78,400	138,652	0.53
IND & COMM BK OF CHINA-H	648,000	498,986	1.92
KWG GROUP HOLDINGS LTD	451,500	632,765	2.43
MEITUAN DIANPING-CLASS B	55,000	719,282	2.76
PETROCHINA CO LTD-H	1,130,000	567,045	2.18
PICC PROPERTY & CASUALTY -H 'H'CNY1	98,000	118,101	0.45
PING AN INSURANCE GROUP CO-H 'H' CNY1	106,000	1,252,932	4.81
POWERLONG COMMERCIAL MANAGEM	106,000	133,592	0.50
SEMICONDUCTOR MANUFACTURING 981	290,000	444,390	1.71
SHIMAO PROPERTY HOLDINDS LTD HKD0.10	139,000	538,746	2.07
SINO BIOPHARMACEUTICAL HKD0.025 (POST CO	388,000	542,776	2.09
SINOTRUK HONG KONG LTD	101,000	215,434	0.83
SUNAC CHINA HOLDINGS LTD HKD0.10 'REG S'	42,000	250,918	0.96
SUNNY OPTICAL TECH SUNNY OPTICAL TECH	7,600	131,579	0.51
TENCENT HOLDINGS LTD	46,900	2,260,791	8.69
WEICHAI POWER CO 'H'CNY1	185,000	390,333	1.50
WUXI APPTec CO LTD-H	9,900	122,800	0.47
WUXI BIOLOGICS	42,500	538,082	2.07
ZIJIN MINING GROUP CO LTD	308,000	153,371	0.59
ZTE CORP-H CNY1	139,000	425,466	1.63
		15,991,444	61.44

**CHINAAMC CHINA FOCUS FUND - A SUB-FUND OF CHINAAMC INVESTMENT TRUST**

**INVESTMENT PORTFOLIO (UNAUDITED) (CONTINUED)**

**AS AT 31 DECEMBER 2019**

*(Expressed in United States dollars)*

<b>Country</b>	<i>Holdings</i>	<i>Market value</i>	<i>% of total net assets</i>
<b>United States listed equities</b>			
ALIBABA GROUP HOLDING-SP ADR BABA	10,700	2,269,470	8.72
BAOZUN INC-SPN ADR BZUN	10,100	334,512	1.29
JD.COM INC-ADR	19,000	669,370	2.57
TAL EDUCATION GROUP- ADR ADS EA REPR 2 C	11,100	535,020	2.06
TRIP.COM GROUP LTD	11,600	389,064	1.49
ZTO EXPRESS CAYMAN INC-ADR ZTO	9,600	224,160	0.86
		-----	-----
		4,421,596	16.99
		-----	-----
<b>Total investments</b>		25,674,426	98.65
<i>(Total cost of investments: \$21,068,600)</i>			
<b>Other net assets</b>		351,917	1.35
		-----	-----
<b>Total net assets</b>		26,026,343	100.00
		=====	=====

**CHINAAMC CHINA FOCUS FUND - A SUB-FUND OF CHINAAMC INVESTMENT TRUST**

**STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS (UNAUDITED)  
FOR THE YEAR ENDED 31 DECEMBER 2019**

	<i>% of total net assets 2019</i>	<i>% of total net assets 2018</i>
China listed equity securities	20.22	32.09
Hong Kong listed equity securities	61.44	45.59
United States listed equity securities	16.99	3.17
<b>Total investments</b>	<u>98.65</u>	<u>80.85</u>
<b>Other net assets</b>	<u>1.35</u>	<u>19.15</u>
<b>Total net assets</b>	<u><u>100.00</u></u>	<u><u>100.00</u></u>

**CHINAAMC CHINA FOCUS FUND - A SUB-FUND OF CHINAAMC INVESTMENT TRUST**

**PERFORMANCE TABLE (UNAUDITED)**

*(Expressed in United States dollars, unless otherwise indicated)*

	2019	2018	2017
Total net asset value for valuation purposes (calculated in accordance with the Explanatory Memorandum)	\$ 26,026,343	\$ 32,771,933	\$ 48,424,977
Net asset value per unit in unit denomination currency (calculated in accordance with the Explanatory Memorandum)			
- AUD units	AUD 16.708	AUD 14.418	AUD 17.250
- EUR units	EUR 15.323	EUR 13.003	EUR 16.464
- GBP units	N/A	GBP -	GBP 9.921
- HKD units	HKD 13.121	HKD 11.394	HKD 15.127
- SGD units	SGD 13.425	SGD 11.761	SGD 15.334
- USD units	USD 12.976	USD 11.214	USD 14.933

## CHINAAMC CHINA FOCUS FUND - A SUB-FUND OF CHINAAMC INVESTMENT TRUST

### PERFORMANCE TABLE (UNAUDITED) (CONTINUED)

(Expressed in United States dollars, unless otherwise indicated)

Price record in unit denomination currency during the year (calculated in accordance with the Explanatory Memorandum)<sup>2</sup>

	2019		2018		2017		2016		2015		2014		2013		2012		2011 <sup>3</sup>	
	<i>Lowest net asset value per unit</i>	<i>Highest net asset value per unit</i>	<i>Lowest net asset value per unit</i>	<i>Highest net asset value per unit</i>	<i>Lowest net asset value per unit</i>	<i>Highest net asset value per unit</i>	<i>Lowest net asset value per unit</i>	<i>Highest net asset value per unit</i>	<i>Lowest net asset value per unit</i>	<i>Highest net asset value per unit</i>	<i>Lowest net asset value per unit</i>	<i>Highest net asset value per unit</i>	<i>Lowest net asset value per unit</i>	<i>Highest net asset value per unit</i>	<i>Lowest net asset value per unit</i>	<i>Highest net asset value per unit</i>	<i>Lowest net asset value per unit</i>	<i>Highest net asset value per unit</i>
AUD units	14.054	17.180	14.073	19.373	13.078	18.239	11.599	14.202	13.115	20.676	10.986	15.128	10.049	12.862	8.501	9.861	8.397	10.218
EUR units	12.640	15.925	12.802	18.284	13.307	17.289	11.066	13.944	12.066	20.831	10.657	14.568	10.526	12.086	9.157	10.373	8.373	10.426
GBP units <sup>1</sup>	N/A	N/A	7.781	10.891	7.577	10.411	5.632	8.378	5.946	12.151	10.397	12.199	10.499	12.344	8.997	10.246	8.729	10.554
HKD units	11.041	13.782	11.205	16.915	10.499	15.531	9.305	11.709	10.325	17.503	11.001	13.406	10.416	12.329	8.819	10.332	8.775	10.948
SGD units	11.403	14.103	11.635	16.849	11.649	15.953	9.954	12.276	11.088	18.011	10.562	13.585	10.072	11.962	8.606	9.856	8.549	10.391
USD units	10.863	13.544	11.023	16.689	10.446	15.350	9.228	11.649	10.281	17.459	11.007	13.401	10.429	12.332	8.823	10.330	8.759	10.955

<sup>1</sup> The units of GBP class were fully redeemed on 4 September 2014 and reissued at GBP10 per unit on 15 January 2015. The highest and lowest net asset value per unit of 2014 and 2015 represented the values in the period from 1 January 2014 to 4 September 2014 and 15 January 2015 to 31 December 2015, respectively.

The units of GBP class were fully redeemed on 13 December 2018. The highest and lowest net asset value per unit of 2018 represented the values in the period from 1 January 2018 to 13 December 2018.

<sup>2</sup> Past performance figures shown are not indicative of the future performance of the Sub-Fund.

<sup>3</sup> The financial period of the Sub-Fund extended from 28 October 2010 (date of inception) to 31 December 2011.



**华夏基金(香港)有限公司**  
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